

STATE OF INDIANA

FILED

INDIANA UTILITY REGULATORY COMMISSION

MAY 09 2003

INDIANA UTILITY
REGULATORY COMMISSION

IN THE MATTER OF THE COMMISSION'S)
INVESTIGATION, PURSUANT TO IC SEC. 8-1-2-)
58 INTO THE STATUS OF THE TRANSFER OF)
FUNCTIONAL CONTROL OF TRANSMISSION)
FACILITIES LOCATED IN INDIANA, BY)
INDIANA MICHIGAN POWER COMPANY, D/B/A)
AMERICAN ELECTRIC POWER, TO A)
REGIONAL TRANSMISSION ORGANIZATION)
AND FOR COMMISSION REVIEW OF THE)
TRANSFER PURSUANT TO IC SEC. 8-1-2-83.)

CAUSE NO. 42350

IN THE MATTER OF THE PETITION OF)
INDIANA MICHIGAN POWER COMPANY, D/B/A)
AMERICAN ELECTRIC POWER, FOR)
APPROVAL, TO THE EXTENT NECESSARY, TO)
TRANSFER FUNCTIONAL CONTROL OF)
TRANSMISSION FACILITIES LOCATED IN)
INDIANA TO PJM INTERCONNECTION, L.L.C.)
PURSUANT TO IND. CODE SEC. 8-1-2-83.)

CAUSE NO. 42352

ANSWER ON MOTION TO STRIKE

TESTIMONY OF DR. BRADLEY K. BORUM

The Indiana Utility Regulatory Commission ("IURC") Testimonial Staff, by counsel submits the following answer to the motion of Indiana Michigan Power Company, d/b/a American Electric Power ("AEP") to strike certain testimony of IURC Staff witness Dr. Bradley K. Borum.

1. The motion to strike should be denied because Dr. Borum's testimony is relevant and admissible in this proceeding. AEP states that the portions of Dr. Borum's testimony relating to issues of AEP's corporate separation and deferred accounting treatment of Alliance RTO formation and PJM integration costs are "beyond the scope of this proceeding." Relevant evidence means "evidence having any tendency to make the existence of any fact that is of

consequence to the determination of the action more probable or less probable than it would be without the evidence," Evid. R. 401.

2. The Commission has recognized that Indiana Code § 8-1-2-83 requires a public interest analysis for the transfer of control of utility property to an RTO.¹ Relevant public interest factors include reliability, financial viability, competition, efficiency and rates, and access to information.² In fact, AEP's sole witness in this case provides testimony that claims PJM's compliance with these public interest factors.³

3. Dr. Borum's testimony regarding AEP's corporate separation plan and requested deferred accounting treatment goes directly to the public interest factors the Commission has established for RTO proceedings. The issues of the corporate separation plan (and related rate freeze) and AEP's requests for deferred accounting treatment of RTO costs ultimately impact AEP's operation within PJM and the rates and charges to AEP's customers in Indiana. In fact, AEP witness Baker's testimony speaks to "the payment by AEP and other participants of PJM expansion costs. . . ."⁴ Thus, Mr. Baker's testimony clearly addresses financial issues related to AEP's integration into PJM. Moreover, as Dr. Borum's testimony recognizes, the uncertainty surrounding AEP's corporate separation plan impacts how the AEP East System will operate in PJM, including how the structure of retail rates and methods of cost recovery, along with operational factors could change. The full impact of those issues in this proceeding is thus relevant because, as required under Evid. R. 401, it is consequential to the determination of whether the transfer of operational control of AEP's transmission assets is in the public interest.

4. The paucity of information in AEP's testimony regarding the scope of its pending FERC proceedings and its corporate separation plan should not limit the Commission's investigation of these issues or their inclusion in a public interest analysis. AEP's corporate separation plan and the FERC proceedings on deferred accounting treatment of AEP's RTO

¹ In the Matter of the Joint Petition of Indiana Michigan Power Co., d/b/a American Electric Power, and Northern Indiana Public Service Co. for Approval, to the Extent Necessary, to Transfer Functional Control of Transmission Facilities Located in Indiana to the Alliance Regional Transmission Organization Pursuant to Ind. Code 8-1-2-83, IURC Cause No. 42032, December 17, 2001, p. 10.

² Id. p. 12-13.

³ Direct Testimony of J. Craig Baker, filed December 19, 2002, pp. 15-16.

costs are all matters of public record at either the state or federal level. Thus, the Commission could take administrative notice of any information related to those issues it deems relevant.

5. The portions of Dr. Borum's testimony to which AEP objects are not outside the scope of this proceeding. They are, in fact, central to the public interest analysis that the Commission must perform when determining whether to approve AEP's request for transfer of functional control of its transmission facilities to PJM. Therefore, the IURC Staff requests the Commission deny AEP's motion to strike portions of Dr. Borum's testimony in this proceeding.

Respectfully submitted, this 9th day of May, 2003.



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⁴ Id. p. 13.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the "Answer on Motion to Strike" on behalf of the Indiana Utility Regulatory Commission (IURC) Staff was served upon the following by hand delivery or United States Mail, first class postage prepaid on the 9th day of May, 2003.

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